

**CONSOLIDATED GRAVITY DRAINAGE DISTRICT NO. 1  
OF TANGIPAOHA PARISH**

(A Component Unit of Tangipahoa Parish Government)

Tickfaw, Louisiana

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**ANNUAL FINANCIAL REPORT**

As of and for the Year Ended

December 31, 2011

**CONSOLIDATED GRAVITY DRAINAGE  
DISTRICT NO. 1 OF TANGIPAHOA PARISH**  
(A Component Unit of Tangipahoa Parish Government)  
Tickfaw, Louisiana

**ANNUAL FINANCIAL REPORT**

As of and for the Year Ended December 31, 2011

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### Independent Auditor's Report

Board of Commissioners  
Consolidated Gravity Drainage District  
No. 1 of Tangipahoa Parish  
Tickfaw, Louisiana

I have audited the accompanying financial statements of the governmental activities and each major fund of the Consolidated Gravity Drainage District No. 1 of Tangipahoa Parish (Drainage District), component unit of Tangipahoa Parish Government, as of and for the year ended December 31, 2011, which collectively comprise the Drainage District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Drainage District's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Consolidated Gravity Drainage District No. 1 of Tangipahoa Parish, as of December 31, 2011, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report, dated June 27, 2012, on my consideration of the Drainage District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5 through 10 and page 37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Consolidated Gravity Drainage District No. 1 of Tangipahoa Parish's financial statements as a whole. The accompanying schedule of compensation paid board members is presented for purposes of additional analysis and is not a required part of the financial statements of the Consolidated Gravity Drainage District No. 1 of Tangipahoa Parish. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Certified Public Accountant

June 27, 2012

**Required Supplemental Information (Part I)**  
**Management's Discussion and Analysis**

**CONSOLIDATED GRAVITY DRAINAGE  
DISTRICT NO. 1 OF TANGIPAHOA PARISH**  
(A Component Unit of Tangipahoa Parish Government)

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
As of and for the Year Ended December 31, 2011

**Introduction**

Consolidated Gravity Drainage District No.1 of Tangipahoa Parish (Drainage District) is pleased to present its Annual Financial Report developed in compliance with Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – Management's Discussion and Analysis – For State and Local Governments* (GASB 34), and related standards.

The Drainage District's discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Drainage District's financial activity, (c) identify changes in the Drainage District's financial position, (d) identify any significant variations from the Drainage District's financial plan, and (e) identify individual fund issues or concerns.

As with other sections of this financial report, the information contained within this Management's Discussion and Analysis should be considered only a part of a greater whole. The readers of this statement should take time to read and evaluate all sections of this report, including the footnotes and the other Required Supplemental Information ("RSI") that is provided in addition to this Management's Discussion and Analysis.

**Financial Highlights**

- At December 31, 2011, the Drainage District's assets exceeded its liabilities by \$20,923,153 (net assets). Of this amount \$18,727,147 (unrestricted net assets) may be used to meet the Drainage District's ongoing obligations for drainage work to its citizens, and \$49,786 is restricted for insurance.
- At December 31, 2011, the Drainage District's governmental fund reported an ending fund balance of \$19,010,992, an increase of \$826,641 for the year. Of this amount 99%, or \$18,961,206 is available for spending at the Drainage District's discretion; and 1%, or \$49,786 is assigned for insurance.
- For the year ended December 31, 2011, the Drainage District's total debt increased by \$36,482 or approximately 6% due primarily to the increase of \$32,833 in postemployment healthcare benefits payable and the increase of \$3,649 in accounts/contracts payable.
- Investment income for the year ended December 31, 2011, was \$211,073, a decrease of \$32,750. This decrease is due primarily from lower interest rates on investments.
- Ad valorem taxes for the year ended December 31, 2011, were \$3,948,974 which represents an increase of \$25,763, due to increased assessments and property valuations.

**Overview of the Annual Financial Report**

The financial statement focus is on both the Drainage District as a whole and on the major individual funds. Both perspectives, government-wide and major funds, allow the user to address relevant questions, broaden a basis for comparison, and enhance the Drainage District's accountability. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Management's Discussion and Analysis is intended to serve as an introduction to the Drainage District's basic financial statements, which consist of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements.

## **Government-Wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the Drainage District's finances in a manner similar to a private-sector business.

The Statement of Net Assets presents information on the Drainage District's assets and liabilities using the accrual basis of accounting, in a manner similar to the accounting used by private business enterprises. The difference between the assets and liabilities is reported as net assets. Over time, the increases or decreases in net assets and changes in the components of net assets may serve as a useful indicator of whether the financial position of the Drainage District is improving or deteriorating.

The Statement of Activities presents information showing how the Drainage District's net assets changed during the most recent fiscal year, focusing on both the gross and net costs of various activities that are supported by the Drainage District's various revenues. This is intended to summarize and simplify the reader's analysis of the cost and/or subsidy of various governmental services.

In the government-wide financial statements the Drainage District's activities are of a single type:

- Governmental activities – The Drainage District's basic services are reported here and are financed primarily through ad valorem taxes.

The government-wide financial statements include Consolidated Gravity Drainage District No. 1 of Tangipahoa Parish (component unit of Tangipahoa Parish Government) only and can be found on pages 12 and 13 of this report.

## **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Drainage District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related and legal requirements. The Drainage District uses a single category of funds to account for financial transactions: governmental funds. Traditional users of governmental financial statements will find the fund financial statements presentation more familiar.

Governmental funds are used to account for all the Drainage District's basic services. However, unlike the government-wide financial statements, governmental fund financial statements focus on how money flows into and out of those funds and the balances that are left at year-end that are available for spending. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Drainage District's general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the Drainage District's programs. The basic governmental fund financial statements can be found on pages 15 through 18 of this report.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, there are differences in the information presented for governmental funds and for governmental activities in the government-wide financial statements. Review of these differences provides the reader of the financial statements insight on the long-term impact of the Drainage District's more immediate decisions on the current use of financial resources. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. The reconciliations can be found on pages 16 and 18 of this report.

Consolidated Gravity Drainage District No. 1 of Tangipahoa Parish  
Management's Discussion and Analysis  
As of and for the Year Ended December 31, 2011

**Notes to the Financial Statements**

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20 through 35 of this report.

**Government-Wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The following provides a summary of the Drainage District's net assets for the current year as compared to the prior year. For more detailed information, see the Statement of Net Assets on page 12 of this report.

**Net Assets  
December 31, 2011, and 2010**

	2011	Governmental Activities 2010	\$Change	%Change
<b>Assets:</b>				
Current and Other Assets	\$19,437,903	\$18,607,613	\$830,290	4%
Capital Assets	<u>2,146,220</u>	<u>2,095,777</u>	<u>50,443</u>	2%
Total Assets	<u>21,584,123</u>	<u>20,703,390</u>	<u>880,733</u>	4%
<b>Liabilities:</b>				
Long-Term Liabilities:				
Accrued Compensated Absences	90,934	82,489	8,445	10%
Postemployment Healthcare Benefits Payable	143,125	118,737	24,388	21%
Other Liabilities	<u>426,911</u>	<u>423,262</u>	<u>3,649</u>	1%
Total Liabilities	<u>660,970</u>	<u>624,488</u>	<u>36,482</u>	6%
<b>Net Assets:</b>				
Invested in Capital Assets, Net of Related Debt	2,146,220	2,070,230	75,990	4%
Restricted for Prepaid Insurance	49,786	46,066	3,720	8%
Unrestricted	<u>18,727,147</u>	<u>17,962,606</u>	<u>764,541</u>	4%
Total Net Assets	<u>\$20,923,153</u>	<u>\$20,078,902</u>	<u>\$844,251</u>	4%

Approximately 10% of the Drainage District's net assets reflects its investment in capital assets (land, buildings, furniture, equipment) net of any outstanding debt used to acquire those assets. These capital assets are used to provide services to citizens and do not represent resources available for future spending.

Less than 1% of the Drainage District's net assets represent resources that are subject to external restriction on how they may be used. The Drainage District's restricted net assets consist of amounts set aside for prepaid insurance.

Approximately 90% of the Drainage District's net assets are unrestricted and may be used to meet the Drainage District's ongoing obligations to its citizens at the Drainage District's discretion.

At the end of the current fiscal year, the Drainage District was able to report positive balances in its sole category of net assets, governmental activities. The same held true for the prior fiscal year.

The Drainage District's activities increased its net assets by \$844,251, the total increase attributable to its governmental activities.



Consolidated Gravity Drainage District No. 1 of Tangipahoa Parish  
Management's Discussion and Analysis  
As of and for the Year Ended December 31, 2011

In order to further understand what makes up the changes in net assets, the following provides a summary of the results of the Drainage District's activities for the current year as compared to the prior year. For more detailed information, see the Statement of Activities on page 13 of this report.

**Changes in Net Assets**  
**For the Years Ended December 31, 2011, and 2010**

	<u>2011</u>	<u>2010</u>	<u>Governmental Activities</u> <u>\$Change</u>	<u>%Change</u>
General Revenues:				
Ad Valorem Taxes	\$ 3,948,974	\$ 3,923,211	\$ 25,763	1%
State Revenue Sharing	95,723	93,385	2,338	2%
Investment Earnings	211,073	243,823	(32,750)	(13%)
Miscellaneous Income	3,995	466	3,529	757%
Total General Revenues	<u>4,259,765</u>	<u>4,260,885</u>	<u>(1,120)</u>	- %
Total Revenues	<u>4,259,765</u>	<u>4,260,885</u>	<u>(1,120)</u>	- %
Expenses:				
Salaries & Related Benefits	1,067,938	1,026,313	41,625	4%
Professional fees	50,229	39,525	10,704	27%
Insurance	94,301	74,379	19,922	27%
Materials and Supplies	19,137	17,420	1,717	10%
Repairs and Maintenance	40,441	58,070	(17,629)	(30%)
Statutory Charges	157,929	156,512	1,417	1%
Rehab Projects	1,718,660	558,311	1,160,349	208%
Other Charges	99,571	94,283	5,288	6%
Depreciation	135,204	118,756	16,448	14%
Loss on Disposition of Assets	<u>32,104</u>	<u>-</u>	<u>32,104</u>	- %
Total Expenses	<u>3,415,514</u>	<u>2,143,569</u>	<u>1,271,945</u>	59%
Change in Net Assets	844,251	2,117,316	(1,273,065)	(60%)
Net Assets, Beginning	<u>20,078,902</u>	<u>17,961,586</u>	<u>2,117,316</u>	12%
Net Assets, Ending	<u>\$20,923,153</u>	<u>\$20,078,902</u>	<u>\$ 844,251</u>	4%

**Governmental Activities**

The Drainage District's governmental net assets increased by \$844,251, or 4% of the prior year ending net assets, to \$20,923,153. Changes in net assets were down by \$1,273,065 compared to the prior year. Revenues were down by \$1,120 and expenses increased by \$1,271,945 causing the net decrease in change in net assets.

The increase in expenses noted above is primarily comprised of an increase in expenses related to the Canal Improvements [FY 2010] Maintenance Project.

Consolidated Gravity Drainage District No. 1 of Tangipahoa Parish  
Management's Discussion and Analysis  
As of and for the Year Ended December 31, 2011

### Fund Financial Analysis

As noted earlier, the Drainage District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

### Governmental Funds

The focus of the Drainage District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Drainage District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the Drainage District's net resources available for spending at the end of the year. The basic governmental fund financial statements can be found on pages 15 through 18 of this report.

At the end of the current year, the Drainage District's governmental fund reported an ending fund balance of \$19,010,992. This represents an increase of \$826,641 or 4% of the prior year's ending balance.

### Major Governmental Fund Budgetary Highlights

The Drainage District demonstrated legal compliance by adopting its budgets in accordance with provisions of the Local Government Budget Act. As required by state law, actual revenues and other sources were within 5% of budgeted revenues and other sources, and actual expenditures and other uses did not exceed budgeted expenditures and other uses by 5%.

There were no amendments to the original budget.

### Capital Assets and Debt Administration

#### Capital Assets

The Drainage District's investment in capital assets for its governmental activities as of December 31, 2011, amounts to \$2,146,220 (net of depreciation). Asset purchases were \$256,722. The total increase in the Drainage District's investment in capital assets for the current fiscal year was \$50,443 (net of depreciation).

Major capital asset additions during the current year were the purchase of two excavators.

The following table provides a summary of the Drainage District's capital assets (net of depreciation) at the end of the current year as compared to the prior year. For more detailed information see Note 6 to the financial statements on page 30 of this report.

**Capital Assets (Net of Depreciation)**  
**December 31, 2011, and 2010**

	<u>Governmental Activities</u>	
	<u>2011</u>	<u>2010</u>
Land	\$ 20,000	\$ 20,000
Building	1,242,538	1,258,881
Equipment	878,872	810,515
Office Furniture and Equipment	<u>4,810</u>	<u>6,381</u>
	<u>\$2,146,220</u>	<u>\$2,095,777</u>

Consolidated Gravity Drainage District No. 1 of Tangipahoa Parish  
Management's Discussion and Analysis  
As of and for the Year Ended December 31, 2011

**Long-Term Debt**

During the current fiscal year, the Drainage District's long term debt increased by \$32,833 mainly due to the recognition of the annual cost of the Drainage District's postemployment healthcare benefit.

**Contacting the Drainage District's Financial Management**

This financial report is designed to provide the Drainage District's users with a general overview of the Drainage District's finances and show the Drainage District's accountability for the money it receives. Questions regarding this report or requests for additional information should be addressed to Consolidated Gravity Drainage District No. 1 of Tangipahoa Parish, Post Office Box 31, Hammond, Louisiana 70404. The Drainage District's telephone number is (985) 542-4292.

**Basic Financial Statements**  
**Government-Wide Financial Statements**

**STATEMENT A**

**CONSOLIDATED GRAVITY DRAINAGE  
DISTRICT NO. 1 OF TANGIPAHOA PARISH**  
(A Component Unit of Tangipahoa Parish Government)

**Statement of Net Assets  
December 31, 2011**

	<u>Governmental Activity</u>
<b>Assets</b>	
Cash and cash equivalents	\$10,449,424
Investments, at fair value	5,091,586
Receivables, net	3,847,107
Prepaid insurance	49,786
Fixed assets, net	<u>2,146,220</u>
<b>TOTAL ASSETS</b>	<u>21,584,123</u>
<b>Liabilities</b>	
Accounts payable	31,708
Contracts payable	131,931
Accrued payroll & payroll liabilities	105,584
Deductions from ad valorem taxes payable	157,688
Portion due in more than one year:	
Postemployment healthcare benefits payable	143,125
Accrued sick leave	<u>90,934</u>
<b>TOTAL LIABILITIES</b>	<u>660,970</u>
<b>Net Assets</b>	
Invested in capital assets	2,146,220
Restricted for prepaid insurance	49,786
Unrestricted	<u>18,727,147</u>
<b>TOTAL NET ASSETS</b>	<u>\$20,923,153</u>

The accompanying notes are an integral part of this statement.

**CONSOLIDATED GRAVITY DRAINAGE  
DISTRICT NO. 1 OF TANGIPAHOA PARISH**  
(A Component Unit of Tangipahoa Parish Government)

**STATEMENT B**

**Statement of Activities  
For the Year Ended December 31, 2011**

	<u>Governmental Activity</u>
<b>Expenses</b>	
<b>Public Works - Drainage</b>	
Salaries and related benefits	\$ (1,067,938)
Professional fees	(50,229)
Insurance	(94,301)
Materials and supplies	(19,137)
Repairs and maintenance	(40,441)
Statutory charges	(157,929)
Rehab projects	(1,718,660)
Other charges	(99,571)
Depreciation	(135,204)
Loss on sale of equipment	<u>(32,104)</u>
<b>TOTAL EXPENSES</b>	<u><b>(3,415,514)</b></u>
<b>General Revenues</b>	
Ad valorem taxes	3,948,974
State revenue sharing	95,723
Investment earnings	211,073
Miscellaneous income	<u>3,995</u>
<b>TOTAL GENERAL REVENUES</b>	<u><b>4,259,765</b></u>
Change in Net Assets	844,251
NET ASSETS AT BEGINNING OF YEAR	<u>20,078,902</u>
NET ASSETS AT END OF YEAR	<u><u><b>\$20,923,153</b></u></u>

The accompanying notes are an integral part of this statement.

**Basic Financial Statements**  
**Fund Financial Statements**  
**Governmental Fund Financial Statements**

## STATEMENT C

**CONSOLIDATED GRAVITY DRAINAGE  
DISTRICT NO. 1 OF TANGIPAHOA PARISH**  
(A Component Unit of Tangipahoa Parish Government)

**Balance Sheet - Governmental Fund  
December 31, 2011**

	<u>General Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$10,449,424
Investments	5,091,586
Receivables	3,847,107
Prepaid insurance	<u>49,786</u>
<b>TOTAL ASSETS</b>	<b><u>\$19,437,903</u></b>
 <b>LIABILITIES AND FUND BALANCE</b>	
<b>LIABILITIES</b>	
Accounts payable	\$ 31,708
Contracts payable	131,931
Accrued payroll and payroll liabilities	105,584
Deductions from ad valorem taxes payable	<u>157,688</u>
<b>TOTAL LIABILITIES</b>	<b><u>426,911</u></b>
 <b>FUND BALANCE</b>	
Nonspendable	49,786
Unassigned	<u>18,961,206</u>
<b>TOTAL FUND BALANCE</b>	<b><u>19,010,992</u></b>
 <b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b><u>\$19,437,903</u></b>

The accompanying notes are an integral part of this statement.



**STATEMENT D**

**CONSOLIDATED GRAVITY DRAINAGE  
DISTRICT NO. 1 OF TANGIPAHOA PARISH**  
(A Component Unit of Tangipahoa Parish Government)

**Reconciliation of the Governmental Fund Balance Sheet  
to the Government-Wide Statement of Net Assets  
December 31, 2011**

Total Fund Balance, Governmental Fund	\$19,010,992
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:	
Governmental capital assets, net of depreciation	2,146,220
Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the funds.	
Other postemployment obligations	(143,125)
Compensated absences	<u>(90,934)</u>
Net Assets, Governmental Activities	<u><u>\$20,923,153</u></u>

The accompanying notes are an integral part of this statement.

**STATEMENT E**

**CONSOLIDATED GRAVITY DRAINAGE  
DISTRICT NO. 1 OF TANGIPAOHA PARISH**  
(A Component Unit of Tangipahoa Parish Government)

**Statement of Revenues, Expenditures, and Changes in Fund Balance**

**GOVERNMENTAL FUND  
For the Year Ended December 31, 2011**

	<u>General Fund</u>
REVENUES	
Ad valorem taxes	\$ 3,948,974
State revenue sharing	95,723
Investment earnings	211,073
Proceeds from sale of equipment	38,971
Miscellaneous income	<u>3,995</u>
TOTAL REVENUES	<u>4,298,736</u>
EXPENDITURES	
Salaries and related benefits	1,035,105
Professional fees	50,229
Insurance	94,301
Materials and supplies	19,137
Repairs and maintenance	40,441
Statutory charges	157,929
Rehab projects	1,718,660
Capital outlay	256,722
Other charges	<u>99,571</u>
TOTAL EXPENDITURES	<u>3,472,095</u>
NET CHANGE IN FUND BALANCE	826,641
FUND BALANCE AT BEGINNING OF YEAR	<u>18,184,351</u>
FUND BALANCE AT END OF YEAR	<u>\$19,010,992</u>

The accompanying notes are an integral part of this statement.

## STATEMENT F

**CONSOLIDATED GRAVITY DRAINAGE  
DISTRICT NO. 1 OF TANGIPAHOA PARISH**  
(A Component Unit of Tangipahoa Parish Government)

**Reconciliation of the Statement of Revenues, Expenditures,  
and Changes in Fund Balance of Governmental Fund  
to the Statement of Activities  
For the Year Ended December 31, 2011**

Total Net Change in Fund Balance, Governmental Fund	\$826,641
Amounts reported for governmental activities in the Statement of Activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense. These differences consist of:	
Proceeds from sale of equipment	(38,971)
Capital outlay	256,722
Depreciation expense	(135,204)
Loss on sale of equipment	(32,104)
The net change in long-term liabilities is reported in the government-wide statements, but not in the governmental fund statements.	
Postemployment healthcare benefits	(24,388)
Compensated absences	<u>(8,445)</u>
Change in Net Assets, Governmental Activities	<u>\$844,251</u>

The accompanying notes are an integral part of this statement.

## **Notes to the Financial Statements**

**CONSOLIDATED GRAVITY DRAINAGE  
DISTRICT NO. 1 OF TANGIPAHOA PARISH**  
(A Component Unit of Tangipahoa Parish Government)

**NOTES TO THE FINANCIAL STATEMENTS**  
As of and for the Year Ended December 31, 2011

**Introduction**

The Consolidated Gravity Drainage District No. 1 of Tangipahoa Parish (Drainage District) was created by the Tangipahoa Parish Police Jury as authorized by Act 19 of the 1950 Second Extraordinary Session of the Louisiana Legislature, as amended by Act 384 of the 1981 Regular Session of the Louisiana Legislature. The Drainage District was created to open and maintain all natural drains in the district, where drainage is accomplished using the natural force of gravity. This may be accomplished by cutting and opening new drains, ditches, and canals. The Drainage District is governed by a board of commissioners consisting of nine (9) members of the parish council who represent any portion of Wards 6, 7 or 8 of Tangipahoa Parish, which comprise the boundaries of the Drainage District. The Drainage District employs approximately fifteen (15) employees, including an administrator, office staff, and construction and maintenance employees. The Drainage District maintains an office and maintenance facility in Tickfaw, Louisiana. The Drainage District is presently responsible for maintaining approximately three hundred fifty (350) miles of drainage canals within the district.

**1. Summary of Significant Accounting Policies**

**A. Basis of Presentation**

The accompanying component unit financial statements of the Drainage District have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

This financial report has been prepared in conformity with GASB Statement 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, issued in June 1999.

**B. Reporting Entity**

The Drainage District is a component unit of Tangipahoa Parish Government because the Drainage District Board of Commissioners consists of nine members of the parish council. The accompanying financial statements present information only on the funds maintained by the Drainage District and do not present information on the parish government, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

**C. Fund Accounting**

The Drainage District uses fund accounting to maintain its financial records and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions relating to certain Drainage District functions and activities. A fund is defined as a separate fiscal and accounting entity with a self-balancing set of accounts.

### **Governmental Funds**

Governmental funds account for all of the Drainage District's general activities. These funds focus on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may be used. Current liabilities are assigned to the fund from which they will be paid. The difference between a governmental fund's assets and liabilities is reported as fund balance. In general, fund balance represents the accumulated expendable resources which may be used to finance future period programs or operations of the Drainage District. The following are the Drainage District's governmental funds:

**General Fund** - the primary operating fund of the Drainage District which accounts for the operations of the Drainage District. The General Fund is available for any purpose provided it is expended or transferred in accordance with state and federal laws and according to the Drainage District's policy.

### **D. Measurement Focus / Basis of Accounting**

#### **Basic Financial Statements - Government-Wide Financial Statements**

The statement of net assets and the statement of activities display information about the Drainage District as a whole. These statements include all the activities of the Drainage District with the interfund activities removed. Information contained in these statements reflects the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange or exchange-like transactions are recognized when the exchange occurs (regardless of when cash is received or disbursed). Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Interest earnings and other revenues not properly included among program revenues are reported instead as general revenues.

### **Basic Financial Statements - Governmental Funds**

The amounts reflected in the General Fund are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of the current financial resources. This approach is then reconciled, through adjustment, to a government-wide view of the Drainage District's operations.

The amounts reflected in the General Fund use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Drainage District considers all revenues available if they are collected within 60 days after the fiscal year end, except ad valorem taxes and state revenue sharing, which are recognized in the period for which they are levied. Expenditures are recorded when the related fund liability is incurred, except for interest and principal payments on general long-term debt which are recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources. The governmental funds use the following practices in recording revenues and expenditures:

#### **Revenues**

Revenues from ad valorem taxes and state revenue sharing are recognized in the period for which they are levied. Investment earnings are recognized when earned. Substantially all other revenues are recorded when received.

#### **Expenditures**

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

#### **Reconciliation**

Explanation of differences between the governmental fund balance sheet and the government-wide statement of net assets is presented in Statement D of the basic financial statements. Explanation of differences between the governmental fund statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities is presented in Statement F of the basic financial statements.

### **E. Budget and Budgetary Accounting**

The Drainage District uses the following budget practices:

1. The Drainage District prepares budgets on the modified accrual basis of accounting in accordance with generally accepted accounting principles (GAAP). The Drainage District adopted a budget for the General Fund.
2. The Drainage District's administrator prepares the proposed budget and submits it to the board of commissioners no later than fifteen (15) days prior to the beginning of each fiscal year. The proposed budget for 2011 was presented to the board of commissioners on December 1, 2010.

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3. The public is notified that the proposed budget is available for public inspection and a public hearing is called.
4. A public hearing is held on the proposed budget at least ten (10) days after publication of the call for the hearing. The public hearing on the proposed budget for 2011 was held on December 15, 2010.
5. After holding the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted. The proposed budget for 2011 was adopted on December 15, 2010.
6. Budgetary amendments require the approval of the board of commissioners. The budget for 2011 was not amended.
7. All budgetary appropriations lapse at year-end.
8. Periodic budget comparisons are made as a part of interim reporting. Budgeted amounts included in the accompanying financial statements include the originally adopted budget amounts. There were no subsequent amendments.

**F. Deposits and Investments**

The Drainage District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. State law and the Drainage District investment policy allow the Drainage District to invest in collateralized certificates of deposit, government-backed securities, commercial paper, the state sponsored investment pool, and mutual funds consisting solely of government-backed securities.

Investments for the Drainage District are reported at fair market value. The state investment pool (LAMP) operates in accordance with state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

**G. Capital Assets**

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated costs if historical costs are not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The Drainage District maintains a threshold level of \$1,000 or more for capitalizing capital assets.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives is not capitalized.

The cost of cutting and opening of new drains, ditches, and canals is not capitalized.



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All capital assets, other than land, are depreciated using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Machinery & Equipment	5 - 10 Years
Furniture and Fixtures	5 - 20 Years
Vehicles	5 - 10 Years
Building and Building Improvements	10 - 40 Years

#### **H. Compensated Absences**

After ninety (90) days of continuous full-time employment, each employee except for the Administrator earns 40 hours of vacation per year, or 1.5385 hours per 80 hour pay period. After one (1) year of employment, each employee earns 3.0769 hours per pay period (or 80 hours per year). After five (5) years of employment, each employee earns 4.6154 hours per pay period (or 120 hours per year). After ten years of employment, each employee earns 6.1538 hours per pay period (or 160 hours per year). Vacation leave may be carried over and accumulated in subsequent calendar years up to one-hundred twenty hours (120) over the current year's accrual. Any vacation time earned in excess of this amount is transferred to sick leave and applied to sick leave according to sick leave policy. Accumulated vacation leave is fully vested.

Sick leave shall accumulate for regular, full-time employees at the rate of one (1) day for each month of continuous employment. At the time of retirement, death, or a reduction in force from the Drainage District, employees will be paid for any unused sick leave at the straight time rate of pay earned at the time of separation up to one hundred eighty (180) working days or 1,440 hours. Unused sick leave in excess of one hundred eighty (180) working days or 1,440 hours, may be utilized in computing benefits at the time of retirement in accordance with retirement system policy. No payment for unused sick leave will be permitted if any employee other than the administrator is discharged or leaves voluntarily prior to retirement.

The Drainage District Board may authorize up to eighty (80) hours advanced sick leave in any two (2) year calendar periods to full-time employees. This advanced sick leave must be repaid from future earned sick and/or annual leave hours within ten (10) months at the rate of eight (8) hours per month.

The administrator earns sixteen (16) hours of vacation leave and eight (8) hours of sick leave for each month of continuous service with the Drainage District. The administrator will be paid for up to one hundred eighty (180) days of sick leave at the time of separation regardless of the reason for termination. Effective June 7, 2006, the Drainage District began to pay the Administrator eight (8) hours of vested vacation leave per bi-weekly pay period.

The cost of current leave privileges, computed in accordance with GASB Codification Section C60, is recognized as a current-year expenditure in the General Fund when leave is actually taken.

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**I. Restricted Net Assets**

For the government-wide statement of net assets, net assets are reported as restricted when constraints placed on net asset use are either:

- externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments; and
- imposed by law through constitutional provisions or enabling legislation.

When both restricted and unrestricted resources are available for use, it is the Drainage District's policy to use restricted resources first, then unrestricted resources as they are needed.

**J. Fund Equity**

Governmental fund equity is classified as fund balance. Beginning with the fiscal year ended December 31, 2011, the Drainage District implemented GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purpose for which resources can be used:

- **Nonspendable:** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

The Drainage District's prepaid insurance is classified as nonspendable fund balance at December 31, 2011.

- **Restricted:** This classification includes amounts for which constraints have been placed on the use of resources that are either:
  - Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or
  - Imposed by law through constitutional provisions or enabling legislation.

The Drainage District did not have any restricted fund balance at December 31, 2011.

- **Committed:** This classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by the Drainage District's Board of Commissioners. These amounts cannot be used for any other purpose unless the Drainage District's Board of Commissioners removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

The Drainage District did not have any committed resources as of year end.

- **Assigned:** This classification includes spendable amounts that are reported in governmental funds *other than the General Fund*, that are neither restricted nor committed, and amounts in the General Fund that are intended to be used for a specific purpose in accordance with the provisions of GASB Statement 54. The intent of an assigned fund balance should be expressed by the Drainage District who has the authority to assign amounts to be used for specific purposes.

The Drainage District did not have any assigned fund balance at December 31, 2011.

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- Unassigned: This classification is the residual fund balance for the General Fund. It also represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

When fund balance resources are available for a specific purpose in multiple classifications, the Drainage District would use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed. However, it reserves the right to selectively spend unassigned resources first and to defer the use of the other classified funds.

#### K. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

#### L. New Accounting Pronouncement

Beginning with this fiscal year, the Drainage District has adopted the provisions of Governmental Accounting Standards Board Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The main financial statement effect relating to this new accounting standard is how the components of the Drainage District fund balance are presented on the fund balance sheet.

### 2. Levied Taxes

Property taxes are levied on a calendar year basis and become due on January 1 of each year. The taxes are generally collected in December of the current year, and January and February of the insuing year. The following is a summary of authorized and levied ad valorem taxes:

	Authorized <u>Millage</u>	Levied <u>Millage</u>	Expiration <u>Date</u>
Taxes due for:			
Acquisition, Construction, and Maintenance	5.00	5.00	2019
Acquisition, Construction, and Maintenance (Renewed on April 21, 2012)	5.00	5.00	2021

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### 3. Deposits and Investments

Cash and cash equivalents and investments as of December 31, 2011, are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and cash equivalents	\$10,449,424
Investments	<u>5,091,586</u>
Total cash and cash equivalents and investments	<u>\$15,541,010</u>

Deposits and investments (GASB 3, as amended) as of December 31, 2011, consist of the following:

Deposits with financial institutions:	
Interest-bearing demand deposits	\$ 169,008
Certificates of deposit	<u>4,845,173</u>
Total deposits with financial institutions	<u>5,014,181</u>
Investments:	
Brokerage money market accounts	1,274,799
Louisiana Asset Management Pool	9,005,617
U. S. Government Bonds with brokerage firms	<u>246,413</u>
Total investments	<u>10,526,829</u>
Total deposits and investments	<u>\$15,541,010</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

At December 31, 2011, the Drainage District has \$5,046,763 in deposits (collected bank balances). Of these deposits, \$4,046,763 is uninsured but collateralized with securities held by the custodial bank in the name of the fiscal agent bank.

Even though the pledged securities are not held in the entity's name, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within ten (10) days of being notified by the Drainage District that the fiscal agent has failed to pay deposited funds upon demand.

The brokerage money market accounts consist of a bond mutual fund of \$17,536 and a government securities money market fund totaling \$1,256,903 which invest in securities of the United States government or its agencies and as such does not require additional pledged collateral, and a balance of \$360 in a brokerage bank deposit program which is secured by federal deposit insurance. The investment in the Louisiana Asset Management Pool (LAMP) – an external investment pool – is stated at the value of the pool shares, which is the same as the fair value.

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In accordance with GASB - 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, all investments are carried at fair value, with the estimate of fair value based on quoted market prices. At December 31, 2011, the Drainage District's investment balances are as follows:

	Carrying Amount	Fair Value
Freddie Mac	\$ 246,413	\$ 246,413
Brokerage Money Market Accounts	1,274,799	1,274,799
Louisiana Asset Management Pool (LAMP)	9,005,617	9,005,617
	<u>\$10,526,829</u>	<u>\$10,526,829</u>

LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. While LAMP is not required to be a registered investment company under the Investment Company Act of 1940, its investment policies are similar to those established by Rule 2a7, which governs registered money market funds. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LSA-R.S. 33:2955.

GASB 40, *Deposit and Investment Risk Disclosure*, requires disclosure of credit risk, custodial credit risk, concentration of credit risk interest rate risk, and foreign currency risk for all public entity investments.

LAMP is a 2a7-like investment pool. The following facts are relevant for 2a7-like investment pools:

- Credit risk: LAMP is rated AAAM by Standard & Poor's.
- Custodial credit risk: LAMP participants' investments in the pool are evidenced by shares of the pool. Investments in pools should be disclosed, but not categorized because they are not evidenced by securities that exist in physical or book-entry form. The public entity's investment is with the pool, not the securities that make up the pool; therefore, no disclosure is required.
- Concentration of credit risk: Pooled investments are excluded from the 5 percent disclosure requirement.
- Interest rate risk: LAMP is designed to be highly liquid to give its participants immediate access to their account balances. LAMP prepares its own interest rate risk disclosure using the weighted average maturity (WAM) method. The WAM of LAMP assets is restricted to not more than 60 days, and consists of no securities with a maturity in excess of 397 days. The WAM for LAMP's total investments is 80 as of December 31, 2011.
- Foreign currency risk: Not applicable to 2a7-like pools.

The investments in LAMP are stated at fair value based on quoted market rates. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the value of the pool shares.

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LAMP, Inc. is subject to the regulatory oversight of the state treasurer and the board of directors. LAMP is not registered with the SEC as an investment company.

LAMP, Inc. issues an annual publicly available financial report that includes financial statements and required supplementary information for LAMP, Inc. That report may be obtained by writing to LAMP, Inc., 228 St. Charles Avenue, Suite 1123, New Orleans, Louisiana 70130, or by calling (800) 249-5267.

#### 4. Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Drainage District deposits may not be returned to it. The Drainage District does not have a deposit policy for custodial credit risk. As of December 31, 2011, \$4,046,763 of the Drainage District's bank balances are exposed to custodial credit risk because they are uninsured but collateralized with securities held by the pledging institution's trust department or agent, but not in the Drainage District's name.

The Drainage District's investment in Freddie Mac is rated AAA by Moody's ratings.

#### 5. Receivables

The following is a summary of receivables at December 31, 2011:

##### Class of Receivable

Ad valorem taxes	\$3,897,130
State revenue sharing	63,834
Interest receivable	<u>7,489</u>
Total	3,968,453
Less allowance for uncollectible - ad valorem taxes	<u>(121,346)</u>
Total	<u><u>\$3,847,107</u></u>

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**6. Capital Assets**

Capital assets and depreciation for governmental activities as of and for the year ended December 31, 2011, are as follows:

	<u>Balance 12/31/10</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/11</u>
Capital Assets Not Being Depreciated:				
Land	<u>\$ 20,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,000</u>
Total Capital Assets Not Being Depreciated	<u>20,000</u>	<u>-</u>	<u>-</u>	<u>20,000</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	1,350,893	17,582	-	1,368,475
Equipment	1,363,948	239,140	221,718	1,381,370
Office Furniture and Equipment	<u>26,449</u>	<u>-</u>	<u>-</u>	<u>26,449</u>
Total Capital Assets Being Depreciated	<u>2,741,290</u>	<u>256,722</u>	<u>221,718</u>	<u>2,776,294</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	92,012	33,925	-	125,937
Equipment	553,433	99,708	150,643	502,498
Office Furniture and Equipment	<u>20,068</u>	<u>1,571</u>	<u>-</u>	<u>21,639</u>
Total Accumulated Depreciation	<u>665,513</u>	<u>135,204</u>	<u>150,643</u>	<u>650,074</u>
Capital Assets Being Depreciated, Net	<u>2,075,777</u>	<u>121,518</u>	<u>71,075</u>	<u>2,126,220</u>
Governmental Activities Capital Assets, Net	<u>\$2,095,777</u>	<u>\$121,518</u>	<u>\$ 71,075</u>	<u>\$2,146,220</u>

Depreciation expense of \$135,204 for the year ended December 31, 2011, was charged to the governmental activities.

**7. Compensated Absences**

At December 31, 2011, employees of the Drainage District have accumulated and vested \$38,705 of employee leave benefits. This amount is recorded as a liability on the accompanying financial statements.

**8. Accounts, Salaries, and Other Payables**

The accounts, salaries, and other payables of \$426,911 at December 31, 2011, were as follows:

Accounts payable	\$ 31,708
Contracts payable	131,931
Accrued annual leave	38,705
Accrued salaries and wages payable	14,773
Payroll withholdings and related payables	52,106
Deductions from ad valorem taxes payable	<u>157,688</u>
Total accounts, salaries, and other payables	<u>\$426,911</u>

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## 9. Long-term Obligations

The following is a summary of changes in long-term liabilities of the Drainage District for the year ended December 31, 2011:

Governmental activities	Beginning Balance	Additions	Reductions	Ending Balance
Postemployment health care benefits	\$118,737	\$36,988	\$(12,600)	\$143,125
Compensated absences	<u>82,489</u>	<u>8,445</u>	<u>-</u>	<u>90,934</u>
Total	<u>\$201,226</u>	<u>\$45,433</u>	<u>\$(12,600)</u>	<u>\$234,059</u>

## 10. Leases

The Drainage District records items under capital leases, if any, as an asset and an obligation in the accompanying financial statements. The Drainage District had no capital leases outstanding at December 31, 2011.

## 11. Pension Plan

*Plan Description.* Substantially all full-time employees of Consolidated Gravity Drainage District No. 1 of Tangipahoa Parish are members of the Parochial Employees' Retirement System of Louisiana (System), a multiple-employer (cost-sharing), defined benefit public employee retirement system (PERS), controlled and administered by a separate board of trustees. The System is composed of two (2) distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All employees of the Drainage District are members of Plan A.

All permanent employees working at least 28 hours per week who are paid wholly or in part from parish funds and all elected parish officials enrolled as of January 1, 1997, are eligible to participate in the System. Under Plan A the eligibility provisions are as follows:

<u>Hired Prior to January 1, 2007</u>	<u>Hired January 1, 2007, and Later</u>
7 years and age 65	7 years and age 67
10 years and age 60	10 years and age 62
25 years and age 55	30 years and age 55
30 years and any age	

The retirement allowance is equal to three percent of the member's final average compensation multiplied by his years of creditable service. Final average compensation shall be defined as the average of the highest consecutive 36 months salary for members hired prior to January 1, 2007. For members hired January 1, 2007, and later, final average compensation shall be defined as the average of the highest consecutive 60 months salary.

Any employee who was a member of the supplemental plan only prior to the revision date (January 1, 1980) has the benefit earned for service credited prior to the revision date on the basis of one percent of final compensation plus two dollars per month for each year credited prior to the revision date, and three percent of final compensation for each year of service credited after the revision date. The retirement allowance may not exceed the greater of one hundred percent of a member's final salary or the final average compensation.



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Employees who terminate with at least the amount of creditable service stated above and do not withdraw their employee contributions may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established by state statute.

Employers shall pay the actuarial cost of leave conversion at the time of retirement for those members enrolled January 1, 2007, and later.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Parochial Employees' Retirement System, Post Office Box 14619, Baton Rouge, Louisiana 70898-4619, or by calling (225) 928-1361.

*Funding Policy.* Under Plan A, members are required by state statute to contribute 9.5 percent of their annual covered salary and the Drainage District is required to contribute at an actuarially determined rate. The rate for 2011 was 15.75 percent of annual covered payroll. Contributions to the System include one-fourth (1/4) of one (1%) percent of the taxes shown to be collectible by the tax rolls of each parish, except Orleans and East Baton Rouge Parishes. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and the Drainage District are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by an actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Drainage District's contributions to the System under Plan A for the year ended December 31, 2011, was \$98,585, equal to the required contributions for that year. The Drainage District's contribution to the System under Plan A for the years ended December 31, 2010, and 2009, were \$105,544 and \$77,661 respectively.

## **12. Deferred Compensation Plan**

Certain employees of the Drainage District participate in the Louisiana Public Employees Deferred Compensation Plan adopted under the provisions of the Internal Revenue Code Section 457. Complete disclosures relating to the Plan are included in the separately issued audit report for the Plan, available from the Louisiana Legislative Auditor, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397.

The Drainage District's contributions to the plan for the year ended December 31, 2011, were \$18,817.

The Drainage District contributes the lesser of 3% of the employees' salaries or the amount contributed by the employees.

## **13. Postemployment Healthcare Benefits**

*Plan Description.* In accordance with a resolution adopted by the board of commissioners on July 16, 2003, employees who retire from the Drainage District with at least 8 years of service may qualify for participation in the Retirement Group Insurance Plan (RGIP). RGIP is a self-administered, single-employer, defined benefit plan. RGIP provides medical benefits to eligible retirees and their spouses. The participant must also have been covered under the Employee Group Insurance Plan for at least one year prior to retirement. A plan participant may only select coverage up to the extent that the participant had coverage under the Employee Group Insurance Plan prior to retirement. The participant may reduce coverage but may not increase coverage. RGIP does not issue a financial report; however, the entity is included in Tangipahoa Parish Government's annual financial report. You may obtain a copy of the annual financial report by contacting Jeff McKneely, Director of Finance at (985) 748-3211 or Tangipahoa Parish Government, P.O. Box 215, Amite, LA 70422.

Consolidated Gravity Drainage  
District No. 1 of Tangipahoa Parish  
Notes to the Financial Statements  
As of and for the Year Ended December 31, 2011

*Funding Policy.* The contribution requirements of plan members are established and may be amended by the Drainage District's Board of Commissioners.

The Drainage District's portion of the post-retirement benefit is as follows:

<u>Years of Service</u>	<u>Drainage District's Portion</u>
8 - 11	None
12 - 15	25% of the total premium
16 or more	50% of the total premium

The Drainage District's portion is limited to no more than \$350 per month, and is on a pay-as-you-go basis.

Once the participant and spouse are eligible for Medicare, the participant can elect to move to the Drainage District's Medicare Supplement Plan. If elected, the Drainage District will pay 100% of the premium up to \$350 per month.

*Annual Other Postemployment Benefit Cost and Liability .* The District's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liability (UAAL). The total ARC for fiscal year 2011 is as set forth below:

Normal cost	\$ 17,704
Amortization of the UAAL	20,429
Interest on normal cost and amortization	<u>708</u>
Annual required contribution	<u>\$ 38,841</u>

The following schedule presents components of the Drainage District's annual OPEB cost for fiscal year 2011, the amount actually contributed to the plan, and changes in the Drainage District's net OPEB obligation to the OPEB plan:

Annual required contribution	\$ 38,841
Interest on net OPEB obligation	4,749
ARC adjustment	<u>(6,602)</u>
Annual OPEB cost	36,988
Contributions made by employer	<u>(12,600)</u>
Increase in net OPEB obligation	24,388
Beginning net OPEB obligation, December 31, 2010	<u>118,737</u>
Ending net OPEB obligation, December 31, 2011	<u>\$143,125</u>

Consolidated Gravity Drainage  
District No. 1 of Tangipahoa Parish  
Notes to the Financial Statements  
As of and for the Year Ended December 31, 2011

The Drainage District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 and the preceding two years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/09	\$49,711	22.4%	\$ 82,228
12/31/10	49,109	25.7%	118,737
12/31/11	36,988	34.1%	143,125

*Funded Status and Funding Progress.* As of January 1, 2011, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$353,246, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$353,246.

The funded status of the plan, as determined by an actuary as of January 1, 2011, was as follows:

Actuarial accrued liability (AAL)	\$353,246
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	<u>\$353,246</u>
Funded ratio	0%

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Accrued Liabilities (UAAL)	Funded Ratio Percentage
1/1/2008	\$ 0	\$542,260	\$542,260	0%
1/1/2009	N/A	N/A	N/A	N/A
1/1/2010	N/A	N/A	N/A	N/A
1/1/2011	\$ 0	\$353,246	\$353,246	0%

*Actuarial Methods and Assumptions.* Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets consistent with the long-term perspective of the calculations.

Consolidated Gravity Drainage  
District No. 1 of Tangipahoa Parish  
Notes to the Financial Statements (concluded)  
As of and for the Year Ended December 31, 2011

In the January 1, 2011, Drainage District's actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4% investment rate of return. The RP 2000 Mortality Table was used in making actuarial assumptions. Retirement rate assumptions differ by employment group and date of plan participation. The Drainage District's unfunded actuarial accrued liability is being amortized over 30 years using a level dollar basis. The remaining amortization period at December 31, 2011, is 29 years.

**14. Risk Management**

The Drainage District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Drainage District attempts to minimize risk from significant losses through the purchase of commercial insurance.

A plaintiff has filed action against the Drainage District alleging personal injuries arising out of a motor vehicle accident involving a former Drainage District employee. Discovery is ongoing and the outcome is uncertain. There is some insurance coverage in regards to this matter.

**15. Commitments**

The Canal Improvements [FY 2010] contracts were in progress at year end and have remaining commitments of \$151,345.

**Required Supplemental Information (Part II)**  
**Budgetary Comparison Schedule**

**CONSOLIDATED GRAVITY DRAINAGE  
DISTRICT NO. 1 OF TANGIPAHOA PARISH**  
(A Component Unit of Tangipahoa Parish Government)

**Governmental Funds  
Budgetary Comparison Schedule - General Fund  
For the Year Ended December 31, 2011**

	Original and Final Budget	Actual Amounts: GAAP Basis	Variance with Final Budget: Favorable (Unfavorable)
<b>REVENUES</b>			
Ad valorem taxes	\$ 3,349,500	\$ 3,948,974	\$ 599,474
State revenue sharing	20,000	95,723	75,723
Investment earnings	162,500	211,073	48,573
Proceeds from sale of equipment	1,500	38,971	37,471
Miscellaneous income	5,000	3,995	(1,005)
<b>TOTAL REVENUES</b>	<b>3,538,500</b>	<b>4,298,736</b>	<b>760,236</b>
<b>EXPENDITURES</b>			
Salaries and related benefits	1,170,000	1,035,105	134,895
Professional fees	75,000	50,229	24,771
Insurance	95,000	94,301	699
Materials and supplies	22,500	19,137	3,363
Repairs and maintenance	108,000	40,441	67,559
Statutory charges	185,500	157,929	27,571
Rehab projects	1,540,000	1,718,660	(178,660)
Capital outlay	511,800	256,722	255,078
Other charges	120,500	99,571	20,929
<b>TOTAL EXPENDITURES</b>	<b>3,828,300</b>	<b>3,472,095</b>	<b>356,205</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(289,800)</b>	<b>826,641</b>	<b>1,116,441</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Legal settlements	(25,000)	-	25,000
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(25,000)</b>	<b>-</b>	<b>25,000</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(314,800)</b>	<b>826,641</b>	<b>1,141,441</b>
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	<b>18,184,351</b>	<b>18,184,351</b>	<b>-</b>
<b>FUND BALANCE AT END OF YEAR</b>	<b>\$ 17,869,551</b>	<b>\$ 19,010,992</b>	<b>\$ 1,141,441</b>

See Accountant's Report.

## **Other Supplemental Information**

**CONSOLIDATED GRAVITY DRAINAGE  
DISTRICT NO. 1 OF TANGIPAHOA PARISH**  
(A Component Unit of Tangipahoa Parish Government)

**SCHEDULE OF COMPENSATION PAID BOARD MEMBERS**  
For the Year Ended December 31, 2011

This schedule of compensation paid board members is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature.

The board receives \$500 per month as provided in R.S. 38:1794(B)(3).

	Year Ended December 31, 2011 <u>Amount Paid</u>
Ronnie Bankston	\$ 6,000
Carlo Bruno	6,000
Bobby Cortez	6,000
Margaret Daly	1,750
Debbie Edwards	6,000
Nicholas Muscarello	4,250
Carlos Notariano	5,000
Michael Petitto	5,500
Tennis Rick	6,000
David Vial	500
Lionell Wells	<u>6,000</u>
TOTAL	<u>\$53,000</u>

See accountant's report.



## **Other Independent Auditor's Report and Findings**



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CERTIFIED PUBLIC ACCOUNTANT

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Commissioners  
Consolidated Gravity Drainage District No. 1  
of Tangipahoa Parish  
Tickfaw, Louisiana

I have audited the accompanying financial statements of the governmental activities and each major fund of the Consolidated Gravity Drainage District No. 1 of Tangipahoa Parish (Drainage District No. 1 of Tangipahoa Parish), a component unit of Tangipahoa Parish Government, as of and for the year ended December 31, 2011, which collectively comprise the District's basic financial statements, and have issued my report thereon dated June 27, 2012. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing my audit, I considered the Drainage District No. 1 of Tangipahoa Parish's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Drainage District No. 1 of Tangipahoa Parish's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Drainage District No. 1 of Tangipahoa Parish's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Drainage District No. 1 of Tangipahoa Parish's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Consolidated Gravity Drainage District No. 1  
Independent Auditor's Report on Internal Control and on  
Compliance and Other Matters - Continued

This report is intended solely for the information and use of the board of commissioners, management, and the Legislative Auditor, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Lee Gray, CPA". The signature is fluid and cursive, with the letters "CPA" written in a slightly more formal, blocky style at the end.

Certified Public Accountant

June 27, 2012

CONSOLIDATED GRAVITY DRAINAGE DISTRICT NO. 1  
OF TANGIPAHOA PARISH  
(A Component Unit of Tangipahoa Parish Government)  
Tickfaw, Louisiana

SCHEDULE OF CURRENT YEAR AUDIT FINDINGS  
For the Year Ended December 31, 2011

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**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

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I have audited the financial statements of Consolidated Gravity Drainage District No. 1 of Tangipahoa Parish as of and for the year ended December 31, 2011, and have issued my report thereon dated June 27, 2012. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. My audit of the financial statements as of December 31, 2011, resulted in an unqualified opinion.

Report on Internal Control and Compliance Material to the Financial Statements

Internal control

Material weaknesses identified? \_\_\_\_\_ yes       X  no

Significant deficiencies identified not  
considered to be material weaknesses? \_\_\_\_\_ yes       X  none reported

Compliance

Noncompliance material to financial  
statements noted? \_\_\_\_\_ yes       X  no

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**SECTION II - FINANCIAL STATEMENT FINDINGS**

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None.